

# **Pet Community Center, Inc.**

Financial Statements  
For the Years Ended December 31, 2021 and 2020

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## **Independent Auditor's Report**

Board of Directors  
Pet Community Center, Inc.

### **Opinion**

We have audited the accompanying financial statements of Pet Community Center, Inc. (the Organization), which comprise the statements of financial position as of December 31, 2021 and 2020, the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization. as of December 31, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date that the financial statements are issued or available to be issued.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts, and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

*Blankenship CPA Group, PLLC*

Blankenship CPA Group, PLLC

Brentwood, Tennessee

October 7, 2022

**Pet Community Center, Inc.**  
**Statements of Financial Position**  
**December 31, 2021 and 2020**

	<b>2021</b>	<b>2020</b>
<b>Assets</b>		
Current assets		
Cash	\$ 224,332	\$ 312,772
Restricted cash	4,192	30,300
Accounts receivable	67,496	1,819
Grants receivable	2,250	25,000
Contributions receivable, current portion	110,833	58,050
Inventory	51,730	79,004
Total current assets	460,833	506,945
Other assets		
Property and equipment, net	91,795	98,427
Contributions receivable, net of current portion	419,167	25,000
Cash restricted for capital campaign	215,054	188,110
Security deposit	2,383	1,573
Total other assets	728,399	313,110
Total assets	<b>\$ 1,189,232</b>	<b>\$ 820,055</b>
<b>Liabilities and Net Assets</b>		
Current liabilities		
Accounts payable	\$ 8,603	\$ 15,250
Accrued expenses	65,946	53,981
Total current liabilities	74,549	69,231
PPP loan	-	274,153
Total liabilities	74,549	343,384
Net assets		
Without donor restrictions	365,437	200,211
With donor restrictions	749,246	276,460
Total net assets	1,114,683	476,671
Total liabilities and net assets	<b>\$ 1,189,232</b>	<b>\$ 820,055</b>

## Pet Community Center, Inc. Statement of Activities

	2021			2020		
	Without donor restrictions	With donor restrictions	Total	Without donor restrictions	With donor restrictions	Total
<b>Program Revenues</b>						
Spay and neuter services	\$ 254,318	\$ -	\$ 254,318	\$ 115,155	\$ -	\$ 115,155
Ancillary services	605,579	-	605,579	493,085	-	493,085
Total program revenues	859,897	-	859,897	608,240	-	608,240
<b>Public Support and Other Revenues</b>						
Contributions, operations	726,291	-	726,291	511,980	-	511,980
Contributions, capital campaign	-	523,895	523,895	-	50,000	50,000
Grants	-	89,981	89,981	-	201,500	201,500
Special events	149,081	-	149,081	116,352	-	116,352
In-kind revenues	26,859	-	26,859	24,925	-	24,925
Miscellaneous revenues	1,384	-	1,384	2,528	-	2,528
Net assets released from restrictions	141,090	(141,090)	-	192,450	(192,450)	-
Total public support and other revenues	1,044,705	472,786	1,517,491	848,235	59,050	907,285
Total revenues	1,904,602	472,786	2,377,388	1,456,475	59,050	1,515,525
<b>Expenses</b>						
Program services	1,330,219	-	1,330,219	1,197,821	-	1,197,821
Management and general	155,995	-	155,995	101,392	-	101,392
Fundraising	253,162	-	253,162	231,154	-	231,154
Total expenses	1,739,376	-	1,739,376	1,530,367	-	1,530,367
Change in net assets	165,226	472,786	638,012	(73,892)	59,050	(14,842)
Net assets, beginning of year	200,211	276,460	476,671	274,103	217,410	491,513
Net assets, end of year	\$ 365,437	\$ 749,246	\$ 1,114,683	\$ 200,211	\$ 276,460	\$ 476,671

**Pet Community Center, Inc.**  
Statement of Functional Expenses  
For the Year Ended December 31, 2021

	Program services	Supporting services			Total expenses
		Management and general	Fundraising	Total	
Payroll expenses	\$ 871,233	\$ 78,637	\$ 212,452	\$ 291,089	\$ 1,162,322
Cost of goods sold	278,634	-	-	-	278,634
Advertising and marketing	140	491	3,345	3,836	3,976
Bad debt expense	495	-	-	-	495
Bank and credit card fees	15,177	298	3,388	3,686	18,863
Contract services	1,029	32,605	-	32,605	33,634
Depreciation	10,594	-	-	-	10,594
Facilities and maintenance	61,313	28,058	-	28,058	89,371
Office supplies	3,697	2,367	905	3,272	6,969
Other expenses	684	5,196	27	5,223	5,907
Postage and shipping	2,991	24	2,586	2,610	5,601
Printing and copying	1,373	-	923	923	2,296
Program supplies and expenses	28,077	-	-	-	28,077
Rabies licenses	40,544	-	-	-	40,544
Recruitment	399	808	-	808	1,207
Registration fees	1,619	367	-	367	1,986
Special events	-	-	25,681	25,681	25,681
Subscriptions	4,513	2,929	3,443	6,372	10,885
Telephone and communications	6,496	891	300	1,191	7,687
Travel and meetings	1,211	3,324	112	3,436	4,647
	<b>\$ 1,330,219</b>	<b>\$ 155,995</b>	<b>\$ 253,162</b>	<b>\$ 409,157</b>	<b>\$ 1,739,376</b>

**Pet Community Center, Inc.**  
Statement of Functional Expenses  
For the Year Ended December 31, 2020

	Program services	Supporting services			Total expenses
		Management and general	Fundraising	Total	
Payroll expenses	\$ 829,261	\$ 31,622	\$ 191,307	\$ 222,929	\$ 1,052,190
Cost of goods sold	196,973	-	-	-	196,973
Advertising and marketing	-	-	6,401	6,401	6,401
Bad debt expense	-	-	-	-	-
Bank and credit card fees	11,091	415	2,573	2,988	14,079
Contract services	-	29,710	720	30,430	30,430
Depreciation	20,847	-	-	-	20,847
Facilities and maintenance	65,268	27,878	-	27,878	93,146
Office supplies	10,168	16	668	684	10,852
Other expenses	1,136	6,002	67	6,069	7,205
Postage and shipping	3,259	85	1,542	1,627	4,886
Printing and copying	889	-	951	951	1,840
Program supplies and expenses	23,376	-	-	-	23,376
Rabies licenses	28,588	-	-	-	28,588
Recruitment	303	-	-	-	303
Registration fees	1,156	267	-	267	1,423
Special events	-	-	24,109	24,109	24,109
Subscriptions	2,643	3,825	2,303	6,128	8,771
Telephone and communications	863	960	268	1,228	2,091
Travel and meetings	2,000	612	245	857	2,857
	<b>\$ 1,197,821</b>	<b>\$ 101,392</b>	<b>\$ 231,154</b>	<b>\$ 332,546</b>	<b>\$ 1,530,367</b>



**Pet Community Center, Inc.**  
**Statements of Cash Flows**  
For the Years Ended December 31, 2021 and 2020

	<b>2021</b>	<b>2020</b>
Cash and restricted cash, beginning of year	\$ 531,182	\$ 321,704
<b>Cash flows from operating activities</b>		
Change in net assets	638,012	(14,842)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Bad debt expense	495	-
Contributions for capital campaign	(23,895)	(16,950)
Depreciation	10,594	20,847
Change in:		
Accounts receivable	(66,172)	22,771
Grants receivable	22,750	-
Contributions receivable, net	(446,950)	(47,150)
Inventory	27,274	(23,836)
Security deposit	(810)	-
Accounts payable	(6,647)	(10,985)
Accrued expenses	11,965	(11,480)
Net cash provided (used) by operating activities	166,616	(81,625)
<b>Cash flows from investing activities</b>		
Purchase of property and equipment	(3,962)	-
<b>Cash flows from financing activities</b>		
Proceeds received from contributions restricted for capital campaign	23,895	16,950
PPP loan forgiveness	(274,153)	274,153
Net cash provided (used) by financing activities	(250,258)	291,103
Net change in cash and restricted cash	(87,604)	209,478
Cash and restricted cash, end of year	<b>\$ 443,578</b>	<b>\$ 531,182</b>
<b>Reconciliation to statements of financial position</b>		
Cash	\$ 224,332	\$ 312,772
Restricted cash	4,192	30,300
Cash restricted for capital campaign	215,054	188,110
	<b>\$ 443,578</b>	<b>\$ 531,182</b>

**Pet Community Center, Inc.**  
Notes to Financial Statements  
For the Years Ended December 31, 2021 and 2020

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**Note 1. Organization and Nature of Activities**

Pet Community Center, Inc. (the Organization) is a not-for-profit community service agency founded in March 2011. The Organization's major programs include free and low-cost spay/neuter, pet wellness, and outreach services to various private, not-for-profit, and government entities in Middle Tennessee. The spay/neuter program is designed to address the issue of pet homelessness and shelter euthanasia in Middle Tennessee. The wellness clinic provides low-cost, walk-in services for pets, including vaccines, and preventive medicine. The goal of the wellness clinic is to provide preventive care that can reduce the number of pet owners relinquishing their pets to a shelter due to lack of access to affordable pet care. The wellness clinic also serves as an outreach program to share information about spay/neuter with pet owners. The Organization also offers several outreach programs that make spay/neuter surgery, pet food, and medical care and supplies more affordable and accessible to animals and families throughout Davidson County.

**Note 2. Summary of Significant Accounting Policies**

**Basis of Accounting**

The financial statements of the Organization have been prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (US GAAP).

**Basis of Presentation**

The financial statements of the Organization have been prepared in accordance with US GAAP, which requires the Organization to report information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions – Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization's management and the board of directors.

Net assets with donor restrictions – Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities.

**Use of Estimates**

The preparation of the financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Cash and Restricted Cash**

Cash and restricted cash consists principally of checking and savings account balances with financial institutions.

**Pet Community Center, Inc.**  
Notes to Financial Statements  
For the Years Ended December 31, 2021 and 2020

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**Note 2. Summary of Significant Accounting Policies**

**Accounts Receivable**

Accounts receivable are stated at unpaid balances. Receivables are written off in the period in which management deems the balance to be uncollectible. The Organization expects to fully collect these items; therefore no allowance.

**Contributions and Grants Receivable**

Contributions and grants receivable represent the unconditional promises to give unless specifically restricted by the donor. The Organization has evaluated the allowance for uncollectible contributions and the discount to net present value and determined the estimated amounts are not material to the financial statements.

**Inventory**

Inventories, representing surgical supplies, vaccinations, and medicine, are stated at the lower-of-cost or net realizable value determined by the first-in, first-out method.

**Property and Equipment**

Equipment, furniture, vehicles, and leasehold improvements purchased in excess of \$500 are capitalized and stated at acquisition cost or at estimated fair value at the time of the gift, if donated. If donors stipulate how long the assets must be used, the contributions are recorded as net assets with donor restrictions. In the absence of such stipulations, contributions of property and equipment are recorded as net assets without donor restrictions.

Depreciation of property and equipment is calculated by the straight-line method over estimated useful lives which range from three to five years.

**Impairment of Long-lived Assets**

The Organization reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell. There were no impairment charges recognized during the years ended December 31, 2021 and 2020.

**Contributions**

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Donor-restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reported in the statements of activities as net assets released in satisfaction of restrictions.

Contributed property and equipment are recorded at fair value at the date of donation. Contributions with donor-imposed stipulations regarding how long the contributed assets must be used are recorded as net assets with donor restrictions; otherwise, the contributions are recorded as net assets without donor restrictions.

**Pet Community Center, Inc.**  
Notes to Financial Statements  
For the Years Ended December 31, 2021 and 2020

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**Note 2. Summary of Significant Accounting Policies**

**Donated Goods and Services**

Donated services are recognized if they create or enhance nonfinancial assets or the donated service requires specialized skills, was performed by a donor who possesses such skills, and would have been purchased by the Organization if not donated. Such services are recognized at estimated fair value as support and expense in the period the services were performed.

A number of unpaid volunteers have made significant contributions of their time to assist the Organization in implementing various programs. The value of contributed time is not reflected in these financial statements in accordance with US GAAP.

**Income Taxes**

The Organization is exempt from income tax under Internal Revenue Code (IRC) section 501(c)(3), though it is subject to tax on income unrelated to its exempt purpose, unless that income is otherwise excluded by the IRC. The Organization has processes presently in place to ensure the maintenance of its tax-exempt status; to identify and report unrelated income; to determine its filing and tax obligations in jurisdictions for which it has nexus; and to identify and evaluate other matters that may be considered tax positions. The Organization has determined that there are no material uncertain tax positions that require recognition or disclosure in the financial statements.

**Advertising and marketing**

Advertising and marketing are expensed as incurred. Total advertising and marketing expense for the years ended December 31, 2021 and 2020 was \$3,976 and \$6,401, respectively.

**Functional Expenses**

Expenses that can be directly attributed to a particular function are charged to that function. Certain costs have been allocated among more than one program or activity based on objectively evaluated financial and non-financial data or reasonable subjective methods determined by management.

The expenses that are allocated include the following:

	<b>Method of allocation</b>
Advertising and marketing	Time and effort
Bank and credit card fees	Time and effort
Contract services	Time and effort
Depreciation	Square footage
Facilities and maintenance	Square footage
Office supplies	Time and effort
Other expenses	Time and effort
Payroll expenses	Time and effort
Postage and shipping	Time and effort
Printing and copying	Time and effort
Recruitment	Time and effort
Subscriptions	Time and effort
Telephone and communications	Time and effort
Travel and meetings	Time and effort

**Pet Community Center, Inc.**  
Notes to Financial Statements  
For the Years Ended December 31, 2021 and 2020

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**Note 2. Summary of Significant Accounting Policies**

**PPP Loan**

On January 30, 2020, the World Health Organization declared the COVID-19 outbreak a "Public Health Emergency of International Concern" and on March 11, 2020, declared it to be a pandemic. The Organization received a loan in accordance with the Paycheck Protection Program (PPP) section of the Coronavirus Aid, Relief, and Economic Security Act (the CARES Act). US GAAP provides organizations with two alternatives for reporting the loan and any future forgiveness: 1) proceeds can be treated as debt and future forgiveness recognized as income when the loan or any portion thereof is formally discharged; or 2) proceeds can be treated as a conditional contribution where they recognize a refundable advance and derecognize the liability, and recognize income, as the conditions for forgiveness are substantially met or explicitly waived. The Organization has elected to treat the PPP loan as a conditional contribution.

**Note 3. Availability and Liquidity**

The following represents the Organization's financial assets at December 31:

	2021	2020
Financial assets		
Cash and restricted cash	\$ 443,578	\$ 531,182
Accounts receivable	67,496	1,819
Grants receivable	2,250	25,000
Contributions receivable, net	<u>530,000</u>	<u>83,050</u>
Total financial assets	1,043,324	641,051
Less amounts not available to be used within one year		
Net assets with donor restrictions	749,246	276,460
Less net assets with purpose restrictions to be met in less than a year	<u>(4,192)</u>	<u>(55,300)</u>
	<u>745,054</u>	<u>221,160</u>
Financial assets available to meet cash needs for general expenditures over the next 12 months	<b>\$ 298,270</b>	<b>\$ 419,891</b>

The Organization's goal is generally to maintain financial assets to meet 90 days of operating expenses. As part of its liquidity plan, excess cash is placed in a money market account.

**Note 4. Contributions Receivable**

Contributions receivable consist of the following:

	2021	2020
Less than one year	\$ 110,833	\$ 58,050
Over one year	<u>419,167</u>	<u>25,000</u>
	<b>\$ 530,000</b>	<b>\$ 83,050</b>

**Pet Community Center, Inc.**  
Notes to Financial Statements  
For the Years Ended December 31, 2021 and 2020

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**Note 5. Property and Equipment**

Property and equipment consist of the following:

	<b>2021</b>	<b>2020</b>
Clinic equipment	\$ 186,880	\$ 186,292
Leasehold improvements	38,766	38,766
Office furniture and equipment	4,957	4,957
Vehicles	<u>111,881</u>	<u>111,881</u>
	342,484	341,896
Less: accumulated depreciation	<u>(250,689)</u>	<u>(243,469)</u>
	<b>\$ 91,795</b>	<b>\$ 98,427</b>

**Note 6. Accrued Expenses**

Accrued expenses consist of the following:

	<b>2021</b>	<b>2020</b>
Credit card payable	\$ 22,419	\$ 12,734
Payroll taxes and benefits payable	1,990	1,407
Accrued payroll	<u>41,537</u>	<u>39,840</u>
	<b>\$ 65,946</b>	<b>\$ 53,981</b>

**Note 7. Net Assets with Donor Restrictions**

Net assets with donor restrictions consist of the following:

	<b>2021</b>	<b>2020</b>
Spay/neuter/various surgeries	\$ 4,192	\$ 17,800
General programs	-	12,500
Wellness	-	25,000
Capital campaign	<u>745,054</u>	<u>221,160</u>
	<b>\$ 749,246</b>	<b>\$ 276,460</b>

**Note 8. Operating Leases**

The Organization leases various office space and storage units. The office lease was renewed in December 2021 and runs through March 2023. The storage leases are currently on a monthly basis. The future minimum lease payments under the office space agreement are as follows:

<b>Year ended December 31,</b>	
2022	\$ 25,788
2023	<u>6,447</u>
Total	<b>\$ 32,235</b>

**Pet Community Center, Inc.**  
Notes to Financial Statements  
For the Years Ended December 31, 2021 and 2020

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**Note 8. Operating Leases**

Rent expense for 2021 and 2020 was \$78,454 and \$74,454, respectively, and is included in facilities and maintenance costs on the statements of functional expenses.

**Note 9. Concentrations**

As of December 31, 2021 and 2020, approximately 93% and 91% of accounts, grants, and contributions receivable were receivable from two and three contributors, respectively.

**Note 10. Retirement Plan**

Effective February 1, 2019, the Organization established a 403(b) retirement plan eligible to certain tax-exempt organizations under IRC section 501(c)(3). All eligible employees are allowed to participate in the plan as of their employment commencement date (the universal availability rule). An employer may, but is not required to, contribute to the 403(b) plan for employees. As of December 31, 2021, the Organization has not contributed to the plan.

**Note 11. PPP Loan**

On April 15, 2020, the Organization received a loan in the amount of \$274,153 in accordance with the PPP section of the CARES Act. The Organization has elected to treat the PPP loan as a conditional contribution in the financial statements in 2021.

On June 25, 2021, the Organization received full forgiveness of the loan and recognized contribution revenue in the amount of \$274,153 on the statement of activities for 2021.

**Note 12. Subsequent Events**

Management has evaluated subsequent events through October 7, 2022, the date on which the financial statements were available for issuance.